

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LONDON TOWNSHIP	County MONROE
Audit Date 3/31/04	Opinion Date 6/29/04	Date Accountant Report Submitted to State: 8/11/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS, PLLC			
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		ZIP 48161	
Accountant Signature <i>Cooley Hehl Wohlgamuth & Carlton</i>			Date

LONDON TOWNSHIP
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

March 31, 2004

LONDON TOWNSHIP

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

Independent Auditor's Report	1
Combined Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General, Special Revenue, and Debt Service Fund Types	4
Statement of Revenues, Expenses, and Changes in Fund Balance - Non-Expendable Trust Funds - Hack-Rapps Cemetery Fund	5
Statement of Cash Flows - Non-Expendable Trust Funds - Hack-Rapps Cemetery Fund	5
Notes to Financial Statements	6-12
Financial Statements of Individual Funds:	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	13-14
Special Revenue Funds:	
Building Department Fund	
Liquor Law Enforcement Fund	
Sewer Fund	
Combining Balance Sheet	15
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Building Department Fund	17
- Liquor Law Enforcement Fund	18
- Sewer Fund	19
Debt Service Funds:	
Sewer Debt	
Water Debt	
Combining Balance Sheet	20
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Sewer Debt	22
- Water Debt	23
Trust and Agency Funds:	
Tax Collection Fund	
Hack-Rapps Cemetery Fund	
Combining Balance Sheet	24
Statement of Changes in Assets and Liabilities - Tax Collection Agency Fund . .	25



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Independent Auditor's Report

Township Board
London Township
Monroe County, Michigan

We have audited the accompanying general purpose financial statements of London Township, Monroe County, Michigan, as of and for the fiscal year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of London Township, Monroe County, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of London Township, Monroe County, Michigan at March 31, 2004, and the results of its operations and its cash flows of its non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of London Township, Monroe County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Cooley Hehl Wohlgamuth + Carlton

June 29, 2004

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>ASSETS</u>			
Cash and cash with fiscal agent	\$392,614	\$114,771	\$145,462
Certificates of deposit	0	0	0
Receivables			
Taxes	22,804	0	0
Tap fees and special assessments	0	41,926	248,315
Accrued interest and other	3,086	476	0
Due from other governments	34,830	8,620	0
Due from other funds	1,637	13,335	6,761
Fixed assets	0	0	0
Amount available in debt service funds	0	0	0
Amount to be provided for retirement of general long-term debt	0	0	0
Total Assets	<u>\$454,971</u>	<u>\$179,128</u>	<u>\$400,538</u>
<u>LIABILITIES</u>			
Accounts payable	\$9,083	\$0	\$0
Due to other funds	20,096	0	0
Deferred revenue	0	33,003	232,099
General obligation bonds payable	0	0	0
Total Liabilities	29,179	33,003	232,099
<u>FUND EQUITY</u>			
Investment in general fixed assets	0	0	0
Fund Balance			
Reserved for debt service	0	0	168,439
Reserved for endowments - Hack	0	0	0
Reserved for endowments - Rapps	0	0	0
Unreserved	425,792	146,125	0
Total Fund Equity	<u>425,792</u>	<u>146,125</u>	<u>168,439</u>
Total Liabilities and Fund Equity	<u>\$454,971</u>	<u>\$179,128</u>	<u>\$400,538</u>

(See accompanying notes to financial statements)

Fiduciary Fund Type	Account Groups		Totals
Trust and Agency	General Fixed Assets	General Long-Term Liabilities	(Memorandum Only)
\$1,637	\$0	\$0	\$654,484
5,300	0	0	5,300
0	0	0	22,804
0	0	0	290,241
0	0	0	3,562
0	0	0	43,450
0	0	0	21,733
0	1,443,198	0	1,443,198
0	0	168,439	168,439
0	0	265,387	265,387
<u>\$6,937</u>	<u>\$1,443,198</u>	<u>\$433,826</u>	<u>\$2,918,598</u>
\$0	\$0	\$0	\$9,083
1,637	0	0	21,733
0	0	0	265,102
0	0	433,826	433,826
1,637	0	433,826	729,744
0	1,443,198	0	1,443,198
0	0	0	168,439
300	0	0	300
5,000	0	0	5,000
0	0	0	571,917
5,300	1,443,198	0	2,188,854
<u>\$6,937</u>	<u>\$1,443,198</u>	<u>\$433,826</u>	<u>\$2,918,598</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended March 31, 2004

	General	Special Revenue	Debt Service
Revenues			
Taxes	\$144,660	\$0	\$0
Licenses and permits	19,123	40,600	0
State grants	212,662	521	0
Charges for services	47,484	24,858	20,353
Interest and rents	10,707	4,345	18,987
Other income	397	0	0
Total Revenues	435,033	70,324	39,340
Expenditures			
Legislative	26,785	0	0
General government	156,841	0	0
Public safety	186,670	34,298	0
Public works	73,901	12,735	0
Recreation and cultural	0	0	0
Other functions	31,762	0	0
Debt service	0	0	68,140
Total Expenditures	475,959	47,033	68,140
Excess (Deficiency) of Revenues over Expenditures	(40,926)	23,291	(28,800)
Other Financing Sources (Uses)			
Operating transfers in	0	0	2,019
Operating transfers out	0	(2,019)	0
Total Other Financing Sources (Uses)	0	(2,019)	2,019
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(40,926)	21,272	(26,781)
Fund Balances - Beginning of Year	466,718	124,853	195,220
Fund Balances - End of Year	\$425,792	\$146,125	\$168,439

(See accompanying notes to financial statements)

Totals
(Memorandum
Only)

\$144,660

59,723

213,183

92,695

34,039

397

544,697

26,785

156,841

220,968

86,636

0

31,762

68,140

591,132

(46,435)

2,019

(2,019)

0

(46,435)

786,791

\$740,356

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$108,000	\$144,660	\$36,660
Licenses and permits	80,000	19,123	(60,877)
State grants	185,000	212,662	27,662
Charges for services	15,000	47,484	32,484
Interest and rents	3,500	10,707	7,207
Other revenue	2,000	397	(1,603)
Total Revenues	393,500	435,033	41,533
Expenditures			
Legislative	31,500	26,785	4,715
General government	194,000	156,841	37,159
Public safety	172,000	186,670	(14,670)
Public works	250,700	73,901	176,799
Recreation and cultural	2,600	0	2,600
Other functions	30,500	31,762	(1,262)
Debt service	0	0	0
Total Expenditures	681,300	475,959	205,341
Excess (Deficiency) of Revenues over Expenditures	(287,800)	(40,926)	246,874
Other Financing Sources (Uses)			
Operating transfers in	225	0	(225)
Operating transfers out	0	0	0
Total Other Financing Sources (Uses)	225	0	(225)
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(287,575)	(40,926)	246,649
Fund Balances - Beginning of Year	295,000	466,718	171,718
Fund Balances - End of Year	\$7,425	\$425,792	\$418,367

(See accompanying notes to financial statements)

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
30,000	40,600	10,600	0	0	0
450	521	71	0	0	0
43,000	24,858	(18,142)	50,000	20,353	(29,647)
2,500	4,345	1,845	1,200	18,987	17,787
0	0	0	0	0	0
75,950	70,324	(5,626)	51,200	39,340	(11,860)
0	0	0	0	0	0
0	0	0	0	0	0
45,450	34,298	11,152	0	0	0
33,000	12,735	20,265	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	80,000	68,140	11,860
78,450	47,033	31,417	80,000	68,140	11,860
(2,500)	23,291	25,791	(28,800)	(28,800)	0
0	0	0	19,000	2,019	(16,981)
(19,000)	(2,019)	16,981	0	0	0
(19,000)	(2,019)	16,981	19,000	2,019	(16,981)
(21,500)	21,272	42,772	(9,800)	(26,781)	(16,981)
93,445	124,853	31,408	110,259	195,220	84,961
<u>\$71,945</u>	<u>\$146,125</u>	<u>\$74,180</u>	<u>\$100,459</u>	<u>\$168,439</u>	<u>\$67,980</u>

HACK-RAPPS CEMETERY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCENON-EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended March 31, 2004

	Fiduciary Fund Type Non-Expendable Trust
Operating Revenues	
Interest income	\$37
Operating Expenses	
Maintenance	(37)
Operating income before non-operating transfer	0
Transfer to other fund	0
Net Income	0
Fund Balance - Beginning of Year	5,300
Fund Balance - End of Year	\$5,300

STATEMENT OF CASH FLOWS - NON-EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended March 31, 2004

Cash Flows from Operating Activities	
Operating income	\$0
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in due to other funds	0
Net Cash Provided by Operating Activities	0
Cash Flows from Capital and Related Financing Activities:	
Reimbursement to general fund for payment of capital improvements	0
Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	5,300
Cash and Cash Equivalents at End of Year	\$5,300

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 Summary of Significant Accounting Policies

For financial reporting purposes, London Township includes all funds, account groups, agencies, boards and authorities that are controlled by or dependent on the Township. The accounting policies of London Township conform to generally accepted accounting principles as applicable to governments. The following entities are not included herein as they operate as autonomous units.

London-Maybee-Raisinville-Exeter Library - This is a joint library supported by London, Raisinville, and Exeter Townships and the Village of Maybee to provide a library for these four governmental units. This library is audited as a part of the Exeter Township audit.

Milan Area Fire Department - This is a joint fire department supported by the City of Milan, London Township, Milan Township and York Township, to provide fire protection to the City and the Townships. The fire department is audited as a separate local unit of government.

London-Maybee-Raisinville Fire Department - This is a joint fire department supported by the Village of Maybee, London Township and Raisinville Township to provide fire protection to the Village and the Townships. The fire department is audited as a separate unit of government.

The following is a summary of the more significant policies:

A. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Non-Expendable Trust and Agency Funds.

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 Summary of Significant Accounting Policies (Continued)

B. Fixed Assets

General Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are recorded as expenditures in the governmental fund types and recorded and accounted for in the General Fixed Asset Account Group. All general fixed assets are valued at historical cost or estimated fair market value if actual historical cost is not available. Donated general fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets. General infrastructure assets have not been recorded in the financial statements.

C. Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

D. Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is prepaid expenses which are not recognized.

A non-expendable trust fund is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The fiscal officer submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them. Unexpended appropriations lapse at year end.
2. A public hearing is conducted to obtain taxpayer comment.
3. The budget is legally enacted through a Board motion.
4. Any revisions to the budget must be approved by the Township Board.
5. Budgets for the General Fund, Special Revenue Funds, and the Debt Service Funds were adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Township Board.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Hack-Rapps Cemetery Fund considers certificates of deposit to be cash and cash equivalents.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 Summary of Significant Accounting Policies (Concluded)

H. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 Cash with Fiscal Agent

This consists of cash and certificates of deposit held by the County of Monroe in its debt retirement accounts for payment of maturing bond principal and interest on debt that it has incurred pursuant to contracting with London Township to acquire and construct water supply system improvements and facilities under Act 342, P.A. of 1948, as amended.

Note 3 Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Township may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At March 31, 1999, London Township had invested in such a fund with a local bank. The Township is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Board had authorized two depositories: Bank One and Republic Bank.

Deposits are carried at cost. The carrying amount of deposits is displayed on the balance sheet as "cash and cash with fiscal agent" and "certificates of deposit." The following is a summary of these deposits:

Carrying value of total deposits	<u>\$659,784</u>
Bank balance of deposits	\$650,143
Amount covered by FDIC	<u>200,000</u>
In uninsured and uncollateralized accounts	<u>\$450,143</u>

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 Property Tax

The Township bills and collects its own property tax and also taxes for the County of Monroe, Dundee Community Schools, Milan Area Schools, Monroe County Community College, Monroe Intermediate School District, and Washtenaw Intermediate School District.

The Township levied 0.8918 mill for general operating and 0.9781 mill for fire and rescue for the 2003-2004 fiscal year on December 1, 2003 on assessed valuation as of December 31, 2002. The taxes are due and payable by February 14, 2004. Taxable values which amounted to \$77,785,736 represent a percentage of the fair market value of the assessed properties on December 31, 2002.

As of March 31, 2004, delinquent taxes of \$22,804 are reflected as a receivable in the general fund.

Note 5 Fixed Assets

A summary of changes in general fixed assets follows:

	Balance <u>March 31, 2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>March 31, 2004</u>
Land and buildings	\$ 191,477	\$ -	\$ -	\$ 191,477
Sewage disposal improvements and facilities	519,241	-	-	519,241
Cemetery roads and improvements	30,295	-	-	30,295
Equipment and furniture	74,525	1,735	-	76,260
Fire equipment	<u>589,867</u>	<u>36,058</u>	<u>-</u>	<u>625,925</u>
Total	<u>\$1,405,405</u>	<u>\$37,793</u>	<u>\$ -</u>	<u>\$1,443,198</u>

Note 6 Interfund Receivables and Payables

Balances at March 31, 2004 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Water Debt	\$ -	\$ 6,761
Sewer - Special Revenue	-	2,726
Tax - Trust and Agency	1,637	-
Building - Special Revenue	-	10,609
Building Fund:		
General Fund	10,609	-
Tax Collection Fund:		
General Fund	-	1,637
Water Debt:		
General Fund	6,761	-
Sewer Special Revenue:		
General Fund	<u>2,726</u>	<u>-</u>
	<u>\$21,733</u>	<u>\$21,733</u>

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 Long-Term Debt

The following is a summary of long-term debt outstanding as of March 31, 2004:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Amount of Issue</u>	<u>Balance Outstanding</u>
General Obligation					
Limited Tax					
Sewage Disposal			05/01/94-		
System Bonds	5.25%	10/04/93	05/01/08	\$180,000	\$ 75,000
General Obligation					
Limited Tax Water					
Supply System Bonds					
(Maybee/Raisinville/ Exeter/London) -	5.000%-		05/01/98-		
Series 1997	7.500%	04/01/97	05/01/16	530,574	<u>358,826</u>
					<u>\$433,826</u>

Changes in long-term debt during the 2004 fiscal period are summarized as follows:

	<u>Balance March 31, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2004</u>
General Obligation				
Limited Tax Sewage				
Disposal System Bonds	\$90,000	\$ -	\$15,000	\$ 75,000
General Obligation				
Limited Tax Water				
Supply System Bonds				
(Maybee/Raisinville/ Exeter/London) -				
Series 1997	<u>387,450</u>	<u>-</u>	<u>28,624</u>	<u>358,826</u>
	<u>\$477,450</u>	<u>\$ -</u>	<u>\$43,624</u>	<u>\$433,826</u>

General Obligation Sewage Disposal System Bonds for Collingwood Estates Subdivision Sewage Disposal System Project:

On September 1, 1983, London Township entered into a contract with the County of Monroe, through the County Agency, to acquire and construct the sewage disposal improvements and facilities for the Collingwood Estates Subdivision. The project cost was \$519,241 of which \$282,241 was from a federal grant and \$237,000 was financed by the issuance of County bonds dated June 21, 1984. The bonds were to mature beginning in 1985 through 2013. The full faith and credit of London Township is pledged for the payment of its obligations under the contract. The sewage disposal improvements and facilities for the Collingwood Estates Subdivision are recorded in the General Fixed Asset Account Group of London Township. The Township charged the property owners a sewer connection fee of \$2,850 to finance the \$237,000 bond issue. The Township also received a grant of \$77,094 to be used to help connect the property owners to the system.

On October 4, 1993, London Township, with the County of Monroe, through the County Agency, issued \$180,000 in General Obligation Limited Tax Bonds with an interest rate of 5.250% to advance refund \$210,000 of outstanding 1983 Collingwood Estates Sewage Disposal System Bonds with an interest rate of 9.125%. The net proceeds of \$164,500 (after payment of \$15,500 in issuance costs) plus an additional \$3,601 of 1983 Collingwood Estates Bonds Sinking Fund monies and \$50,000 from the London Township Sewer Fund were paid to Farmers Home Administration to call the bonds.

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 Long-Term Debt (Continued)

Following is the repayment schedule of the March 31, 2004 balance:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total Principal</u>
	<u>May 1</u>	<u>May 1</u>	<u>Nov. 1</u>	<u>And Interest</u> <u>Due Annually</u>
2005	\$15,000	\$1,969	\$1,575	\$18,544
2006	15,000	1,575	1,181	17,756
2007	15,000	1,181	787	16,968
2008	15,000	787	394	16,181
2009	15,000	394	-	15,394
	<u>\$75,000</u>	<u>\$5,906</u>	<u>\$3,937</u>	<u>\$84,843</u>

General Obligation Water Supply System Bonds (Maybee/Raisinville/Exeter/London) - Series 1997:

On December 1, 1996 London Township, along with Raisinville Township, Exeter Township and the Village of Maybee, signed a contract with the County of Monroe to establish water supply improvements and services to the County's water supply system to serve the local units. The project cost was estimated to be \$4,175,985 of which \$1,580,985 was prepaid by the local units and the remaining \$2,595,000 financed by the issuance of county bonds on April 1, 1997. London Township's share of the bond issue is 20.446%. The bonds will mature from 1998 to 2016. The full faith and credit of London Township is pledged for the payment of its obligations under the contract. Each property owner was charged a water connection fee of \$7,200 to finance the \$2,595,000 bond issue. The Township began collecting these fees with the 1996 winter tax bills.

Following is the repayment schedule of the March 31, 2004 balance:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total Principal</u>
	<u>May 1</u>	<u>May 1</u>	<u>Nov. 1</u>	<u>And Interest</u> <u>Due Annually</u>
2005	\$ 27,602	\$ 9,626	\$ 8,936	\$ 46,164
2006	27,602	8,936	8,232	44,770
2007	27,602	8,232	7,515	43,349
2008	27,602	7,515	6,790	41,907
2009	27,602	6,790	6,059	40,451
2010	27,602	6,059	5,313	38,974
2011	27,602	5,313	4,554	37,469
2012	27,602	4,554	3,795	35,951
2013	27,602	3,795	3,036	34,433
2014	27,602	3,036	2,277	32,915
2015	27,602	2,277	1,518	31,397
2016	27,602	1,518	759	29,879
2017	27,602	759	-	28,361
	<u>\$358,826</u>	<u>\$68,410</u>	<u>\$58,784</u>	<u>\$486,020</u>

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt at March 31, 2004 are as follows:

<u>Fiscal Years</u>	<u>Annual Requirements</u>
2005	\$ 64,708
2006	62,526
2007	60,317
2008	58,088
2009	55,845
2010 and thereafter	<u>269,379</u>
	<u>\$570,863</u>

Note 8 Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975. London Township has elected to make reimbursement payments rather than to pay contributions as a contributing employer.

Note 9 Financial Statement (GASB 34)

In June 1999, members of the Governmental Accounting Standards Board (GASB) unanimously approved issuance of GASBS No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, which will make dramatic changes in the way state and local governments report their finances to the public. This will first be effective for the Township for the calendar year ending March 31, 2005.

The statement requires changes in presentation and some accounting policies. The statement will require material prior period adjustments, most significantly depreciation of fixed assets. The amounts of the adjustments have not been determined at this time.

Note 10 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

General Fund

General Fund - to account for resources associated with government not specifically provided for in another fund.

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$108,000	\$144,660	\$36,660
Licenses and permits	80,000	19,123	(60,877)
State grants	185,000	212,662	27,662
Charges for services			
Tax administration fee		28,342	
Cemetery charges		9,110	
Other charges		10,032	
	15,000	47,484	32,484
Interest and rents			
Interest income		2,907	
Senior citizens rent		7,800	
	3,500	10,707	7,207
Other revenue	2,000	397	(1,603)
Total Revenues	393,500	435,033	41,533
Expenditures			
Legislative			
Board		5,387	
Office supplies		5,184	
Printing and publication		7,402	
Membership and conferences		3,378	
Miscellaneous		5,434	
	31,500	26,785	4,715
General Government			
Supervisor		14,145	
Elections		2,171	
Independent audit and accounting		8,250	
Assessor		20,232	
Attorney		20,403	
Clerk		15,614	
FOIA		1,720	
Board of review		441	
Treasurer		18,938	
Township hall and grounds		39,551	
Cemetery		15,376	
	194,000	156,841	37,159

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCESBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued)			
Public Safety			
Ordinance enforcement		\$1,061	
Milan fire protection		54,645	
LMR fire protection		79,073	
Planning and zoning		51,891	
	\$172,000	186,670	(\$14,670)
Public Works			
Roads and drains		73,157	
Street lighting		744	
	250,700	73,901	176,799
Recreation and Cultural			
Maybee library		0	
	2,600	0	2,600
Other Functions			
Insurance and bonds		23,195	
Social security		8,567	
	30,500	31,762	(1,262)
Total Expenditures	681,300	475,959	205,341
Excess (Deficiency) of Revenues over Expenditures	(287,800)	(40,926)	246,874
Other Financing Sources (Uses)			
Operating transfers in	225	0	(225)
Total Other Financing Sources (Uses)	225	0	(225)
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(287,575)	(40,926)	246,649
Fund Balance - Beginning of Year	295,000	466,718	171,718
Fund Balance - End of Year	\$7,425	\$425,792	\$418,367

Special Revenue Funds

Building Department Fund - to account for building permit fees collected by the Township and the expenses related to operating the building department.

Liquor Law Enforcement Fund - to account for liquor license moneys returned to the Township by the State Liquor Control Commission. Regulations for the use of these moneys are established by this commission.

Sewer Fund - to account for moneys collected from the Collingwood Estate Sanitary Sewer Project Special Assessment and to use these funds to pay maintenance fees and the debt requirements of principal and interest when due.

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Building Department	Liquor Law Enforcement	Sewer	Totals
<u>ASSETS</u>				
Cash	\$16,535	\$0	\$98,236	\$114,771
Receivables				
Tap fees	0	0	41,926	41,926
Interest	0	0	476	476
Due from other governments	0	0	8,620	8,620
Due from other funds	10,609	0	2,726	13,335
 Total Assets	<u>\$27,144</u>	<u>\$0</u>	<u>\$151,984</u>	<u>\$179,128</u>
 <u>LIABILITIES</u>				
Deferred revenue	\$0	\$0	\$33,003	\$33,003
 Total Liabilities	0	0	33,003	33,003
 <u>FUND BALANCES</u>				
Unreserved	27,144	0	118,981	146,125
 Total Liabilities and Fund Balances	<u>\$27,144</u>	<u>\$0</u>	<u>\$151,984</u>	<u>\$179,128</u>

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended March 31, 2004

	Building Department	Liquor Law Enforcement	Sewer	Totals
Revenues				
Licenses and permits	\$40,600	\$0	\$0	\$40,600
State grants	0	521	0	521
Charges for services	0	0	24,858	24,858
Interest income	0	0	4,345	4,345
Total Revenues	40,600	521	29,203	70,324
Expenditures				
Public safety	33,777	521	0	34,298
Public works	0	0	12,735	12,735
Total Expenditures	33,777	521	12,735	47,033
Excess (Deficiency) of Revenues over Expenditures	6,823	0	16,468	23,291
Other Financing Sources (Uses)				
Operating transfers out	0	0	(2,019)	(2,019)
Total Other Financing Sources (Uses)	0	0	(2,019)	(2,019)
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	6,823	0	14,449	21,272
Fund Balances - Beginning of Year	20,321	0	104,532	124,853
Fund Balances - End of Year	\$27,144	\$0	\$118,981	\$146,125

BUILDING DEPARTMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Licenses and permits	\$30,000	\$40,600	\$10,600
Total Revenues	30,000	40,600	10,600
Expenditures			
Public safety			
Building inspection	45,000	33,777	11,223
Total Expenditures	45,000	33,777	11,223
Excess (Deficiency) of			
Revenues over Expenditures	(15,000)	6,823	21,823
Fund Balance - Beginning of Year	20,856	20,321	(535)
Fund Balance - End of Year	\$5,856	\$27,144	\$21,288

LIQUOR LAW ENFORCEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State grants	\$450	\$521	\$71
Expenditures			
Public safety			
Liquor control	450	521	(71)
Excess of Revenues over Expenditures	0	0	0
Fund Balance - Beginning of Year	0	0	0
Fund Balance - End of Year	\$0	\$0	\$0

SEWER FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for services			
Tap-in fees		\$10,934	
Sewer use charges		13,924	
	\$43,000	24,858	(\$18,142)
Interest income	2,500	4,345	1,845
Total Revenues	45,500	29,203	(16,297)
Expenditures			
Public Works			
Administration		585	
Maintenance		12,150	
Total Expenditures	33,000	12,735	20,265
Excess (Deficiency) of Revenues over Expenditures	12,500	16,468	3,968
Other Financing Sources (Uses)			
Operating transfers out	(19,000)	(2,019)	16,981
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(6,500)	14,449	20,949
Fund Balance - Beginning of Year	72,589	104,532	31,943
Fund Balance - End of Year	\$66,089	\$118,981	\$52,892

Debt Service Funds

Sewer Debt Fund - to account for monies transferred from the Sewer Fund to pay debt requirements of principal and interest when due.

Water Debt Fund - to account for monies collected from Collingwood Estate Water Special Assessment and to use these funds to pay the debt requirements of principal and interest when due.

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash with fiscal agent	\$57	\$145,405	\$145,462
Receivables:			
Special assessments	0	248,315	248,315
Due from other funds	<u>0</u>	<u>6,761</u>	<u>6,761</u>
Total Assets	<u>\$57</u>	<u>\$400,481</u>	<u>\$400,538</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred Revenue	<u>\$0</u>	<u>\$232,099</u>	<u>\$232,099</u>
Total Liabilities	0	232,099	232,099
Fund Balances			
Reserved for debt service	<u>57</u>	<u>168,382</u>	<u>168,439</u>
Total Liabilities and Fund Balances	<u>\$57</u>	<u>\$400,481</u>	<u>\$400,538</u>

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended March 31, 2004

	Sewer	Water	Totals
Revenues			
Special assessments	\$0	\$20,353	\$20,353
Interest	17	18,970	18,987
Total Revenues	17	39,323	39,340
Expenditures			
Debt service:			
Principal	15,000	28,624	43,624
Interest and fees	4,466	20,050	24,516
Total Expenditures	19,466	48,674	68,140
Excess (Deficiency) of Revenues over Expenditures	(19,449)	(9,351)	(28,800)
Other Financing Sources (Uses)			
Operating transfers in	2,019	0	2,019
Excess (Deficiency) of Revenues and Other Sources (Uses) over Expenditures	(17,430)	(9,351)	(26,781)
Fund Balances - Beginning of Year	17,487	177,733	195,220
Fund Balances - End of Year	\$57	\$168,382	\$168,439

SEWER DEBT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest	<u>\$0</u>	<u>\$17</u>	<u>\$17</u>
Total Revenues	<u>0</u>	<u>17</u>	<u>17</u>
Expenditures			
Debt service:			
Principal	<u>10,000</u>	<u>15,000</u>	<u>(5,000)</u>
Interest and fees	<u>10,000</u>	<u>4,466</u>	<u>5,534</u>
Total Expenditures	<u>20,000</u>	<u>19,466</u>	<u>534</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(20,000)</u>	<u>(19,449)</u>	<u>551</u>
Other Financing Sources (Uses)			
Operating transfers in	<u>19,000</u>	<u>2,019</u>	<u>(16,981)</u>
Excess (Deficiency) of Revenues and Other Sources (Uses) over Expenditures	<u>(1,000)</u>	<u>(17,430)</u>	<u>(16,430)</u>
Fund Balances - Beginning of Year	<u>9,383</u>	<u>17,487</u>	<u>8,104</u>
Fund Balances - End of Year	<u><u>\$8,383</u></u>	<u><u>\$57</u></u>	<u><u>(\$8,326)</u></u>

WATER DEBT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Special assessments	\$50,000	\$20,353	(\$29,647)
Interest	<u>1,200</u>	<u>18,970</u>	<u>17,770</u>
Total Revenues	51,200	39,323	(11,877)
Expenditures			
Debt service:			
Principal	29,000	28,624	376
Interest and fees	<u>31,000</u>	<u>20,050</u>	<u>10,950</u>
Total Expenditures	<u>60,000</u>	<u>48,674</u>	<u>11,326</u>
Excess (Deficiency) of			
Revenues over Expenditures	(8,800)	(9,351)	(551)
Fund Balances - Beginning of Year	<u>100,876</u>	<u>177,733</u>	<u>76,857</u>
Fund Balances - End of Year	<u>\$92,076</u>	<u>\$168,382</u>	<u>\$76,306</u>

Trust and Agency Funds

Agency Fund:

Tax Collection Fund - to account for money which is collected by the Township in its capacity as trustee of property taxes.

Non-Expendable Trust Fund:

Hack-Rapps Cemetery Fund - to account for a \$5,300 endowment to the Township. The income is used to help pay cemetery maintenance expenses.

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Agency Fund Tax Collection	Non-Expendable Trust Fund Hack-Rapps Cemetery	Totals
<u>ASSETS</u>			
Cash	\$1,637	\$0	\$1,637
Certificates of deposit	0	5,300	5,300
Total Assets	<u>\$1,637</u>	<u>\$5,300</u>	<u>\$6,937</u>
<u>LIABILITIES</u>			
Due to other governments	\$0	\$0	\$0
Due to other funds	1,637	0	1,637
Total Liabilities	1,637	0	1,637
<u>FUND BALANCES</u>			
Reserved for endowments - Hack	0	300	300
Reserved for endowments - Rapps	0	5,000	5,000
Total Fund Balances	0	5,300	5,300
Total Liabilities and Fund Balances	<u>\$1,637</u>	<u>\$5,300</u>	<u>\$6,937</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIESTAX COLLECTION FUND

For the Fiscal Year Ended March 31, 2004

	Balance March 31, 2003	Additions	Deductions	Balance March 31, 2004
<u>ASSETS</u>				
Cash	\$30,963	\$2,096,278	\$2,125,604	\$1,637
Total Assets	<u>\$30,963</u>	<u>\$2,096,278</u>	<u>\$2,125,604</u>	<u>\$1,637</u>
<u>LIABILITIES</u>				
Due to other governments	\$28,277	\$1,900,933	\$1,929,210	\$0
Due to other funds	<u>2,686</u>	<u>195,345</u>	<u>196,394</u>	<u>1,637</u>
Total Liabilities	<u>\$30,963</u>	<u>\$2,096,278</u>	<u>\$2,125,604</u>	<u>\$1,637</u>



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Township Board
London Township
Monroe County, Michigan

Our audit of the general purpose financial statements of London Township for the year ended March 31, 2004 was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township.

New Reporting Model

Effective June 1999, new financial reporting requirements were established by GASB Statement No. 34. The Township is required to implement these changes for the fiscal year beginning April 1, 2004. For a smooth transition, we need to work with the Township on a plan to implement these new reporting changes.

As part of GASB Statement No. 34, the Township will be required to report capital assets (assets with useful lives of more than one year) in the statement of net assets at historical cost. These capital assets will also be depreciated over their estimated useful lives.

In order to implement GASB No. 34, the Township will need an inventory of capital assets as of March 31, 2004. Capital assets include the following: Land, buildings, office equipment, fire equipment, and vehicles. Inventory information should include the description of the item, historical cost, date of purchase, and estimated useful life.

Cash Reconciliations

The treasurer prepares the cash reconciliations, and the clerk maintains the general ledger. On a monthly basis, the clerk and treasurer should reconcile the general ledger cash accounts with the reconciled bank balances.

Building Department Fund

A majority of the expenses for the Building Department Fund are paid out of the General Fund and they are reimbursed by the Building Department Fund. A spreadsheet has been used in the past to track these expenses and the reimbursements. It is important that this spreadsheet be maintained in the future so that the General Fund is reimbursed properly and on a timely basis.

Payroll

The payroll Quickbooks did not reconcile to the General Fund payroll expense accounts. Approximately \$5,000 of checks were voided in the General Fund Quickbooks, but not the payroll Quickbooks. Due to these errors, we believe your quarterly payroll reports (941s) and W-2s were completed with incorrect figures.

Quarterly 941 payroll reports dating back to March 31, 2003 and going forward to each quarterly filing have been overpaid resulting in the Township overpaying the Internal Revenue Service approximately \$6,000.

Payroll records were not readily available when the audit began. Items such as the Federal W-3, W-2s and 941 reports were not on premise as requested and the Internal Revenue Service has no evidence of these reports being filed.

Payroll (Concluded)

Form 1099s should be issued as of December 31 to individuals and businesses who receive payments from the Township of \$600 or more in the course of business.

We recommend the following actions to assist in correcting the current payroll system.

1. Order a transcript of activity from the Internal Revenue Service. This will show payroll deposit transactions with the date and amount.
2. Payroll checks that were voided should be properly voided in the payroll Quickbooks.
3. Payroll 941s and W-2s should be rerun to accurately reflect the elimination of voided checks.
4. At this point corrected 941s and W-2s should be filed with the Internal Revenue Service. Also, the Internal Revenue Service transcript should be reviewed and reconciled with the Township records and a deposit overpayment amount should be determined. The Township should request a refund of any overpayment with the corrected filing of the 941 reports.
5. The Township's Board of Compensation Committee should draft and update a payroll schedule. This schedule should include all paid positions, both salary and hourly. It should also include the Township's policy regarding form 1099s. After completion of the pay rate schedule, it should be approved and filed.

General Ledger

When we examined the individual revenue and expense transactions throughout the year, a number of mistakes and oversights were found. These types of errors make it difficult for the Township to accurately assess their operations, and effect your ability to compare budget to actual numbers. The Township needs to review and update their chart of accounts, and to thoroughly review disbursements and receipts classifications before approving.

Documentation

During the audit, numerous transactions selected for testing lacked attached support, such as invoices. Examples of payments without supporting documentation include but are not limited to attorney bills, lawn mowing and drain excavating. The Township should file their check copies along with supporting invoices and other information attached. This helps ensure the accuracy of the payment, and proper authorization prior to payment.

Accounting Software

The Township has been using Quickbooks for its accounting software. Although this is a very inexpensive software, it is not specifically set up to handle the governmental chart of accounts, budgets, and fund accounting. We suggest that the Township consider looking into software that is specific to governments.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officials and employees of the Township. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,



June 29, 2004